

Color of Money 101



PEO SYSCOM COMMANDERS' CONFERENCE

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The Budget Process



Identify the Requirement



Develop A Cost Estimate



Apply Appropriations and Funding Policies



Budget using PPBS



Congress Appropriates through the Enactment Process



Get to Work during the Execution Process



Lesson Overview

- Appropriation Categories
- Funding Policies
- Congressional Budget Enactment Process
- Budget Execution Process

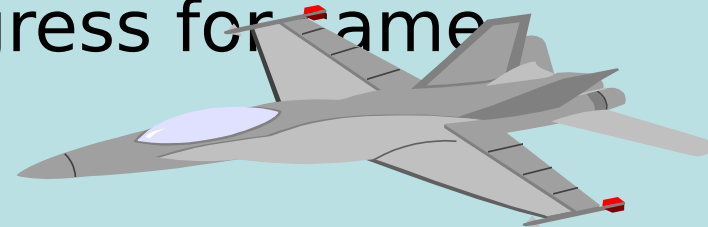


Major Appropriation Categories

APPN CAT	SCOPE	FUNDIN G
RDT & E	RDT&E Activities & Expenses	POLICY INCREMENTAL
PROC (SCN)	End items \geq \$100K system unit cost, All Centrally managed items, Initial Spares, Labor for certain production- related functions (e.g., item assembly, quality assurance)	FULL
O & M	Replenishment Spares, Fuel, Civilian Salaries, Construction Projects $<$ \$750K, Travel, Non-centrally managed end items $<$ \$100K system unit cost	ANNUAL
MILPER	Military Personnel Expenses	ANNUAL
MILCON	Construction Projects \geq \$750K	FULL

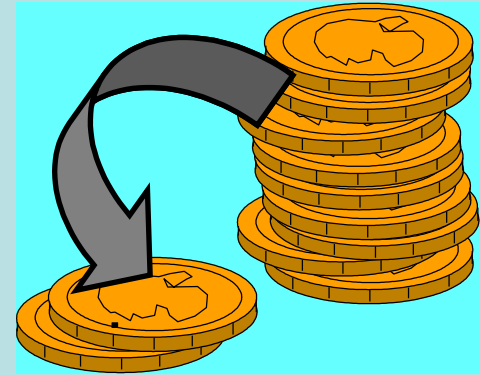
Multiyear Procurement (MYP)

- **Exception to Full Funding Policy**
- Commitment to buy a specific quantity of useable end items of a weapon system over a specified number of years (normally, maximum of five years)
- Annual Appropriation by Congress for same specified number of years
- **Purpose:**
 - Reduce program cost growth
 - Counteract adverse effects of the annual budget and procurement process
 - Bring stability to acquisition process



Advance Procurement Long Lead Items

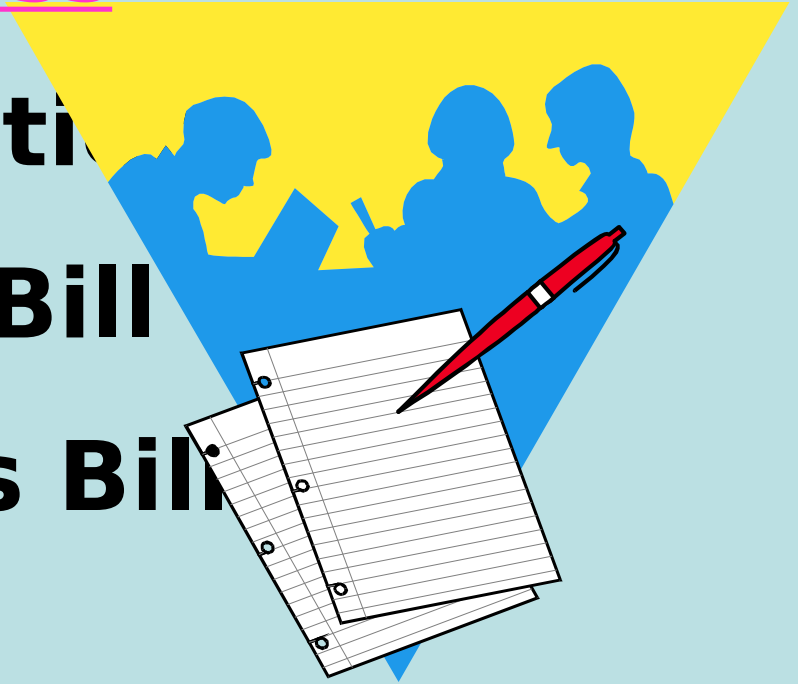
- **Exception to Full Funding Policy**
 - Contained in Acquisition Strategy
 - Approved in Milestone Decision
 - Separate initial contract
- **Finances Long Lead (Recurring) Components**
 - To protect production schedule
 - To maintain a critical skill in the workforce
- **Generally, Budget Authority requested / granted one Fiscal Year in advance of the related end item contract**
- **Shown as a separate line item on the budget request.**



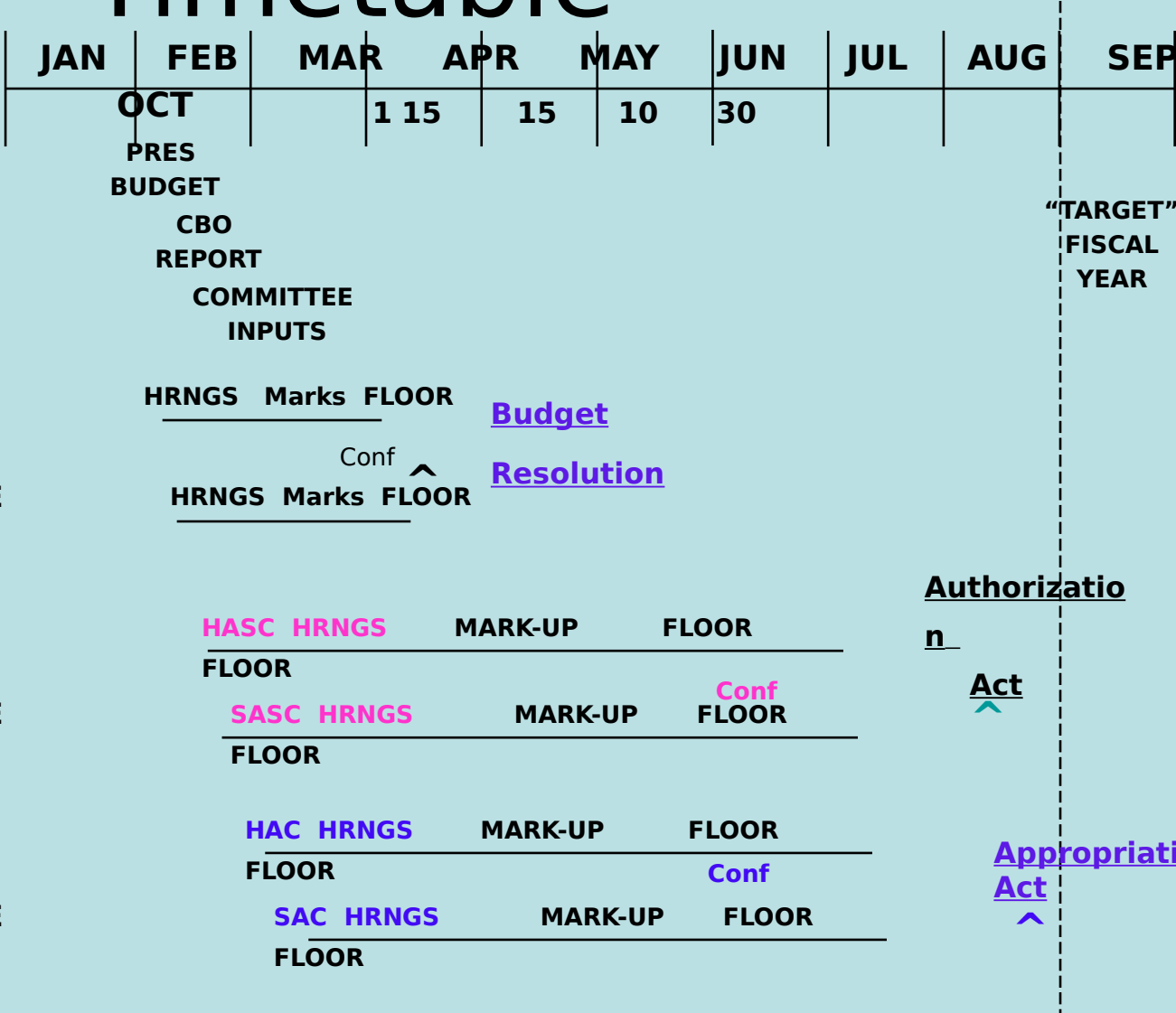
Congressional Budget Process

Enactment Process

- **Budget Resolution**
- **Authorization Bill**
- **Appropriations Bill**



Congressional Enactment Timetable



Appeals To Congressional Marks

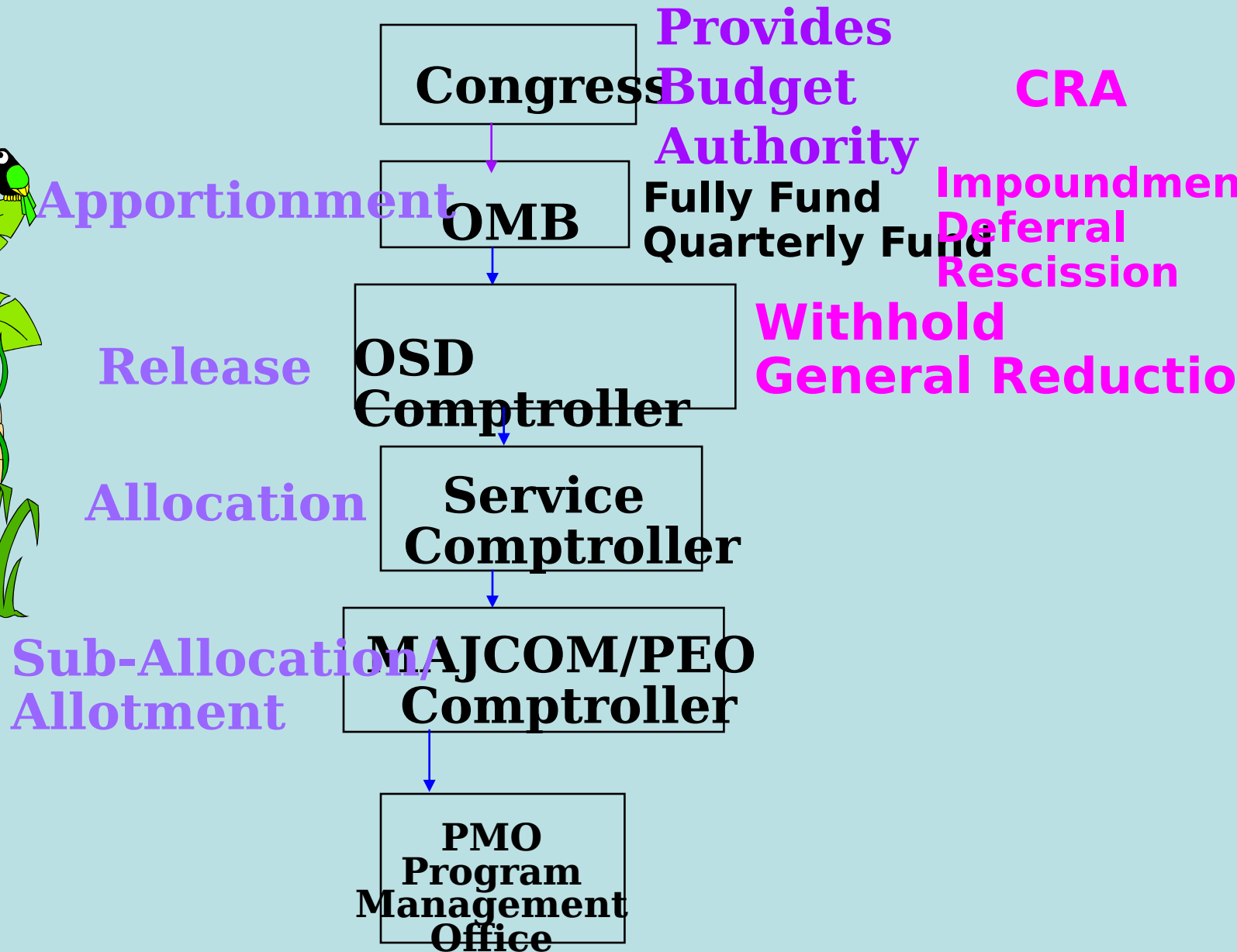
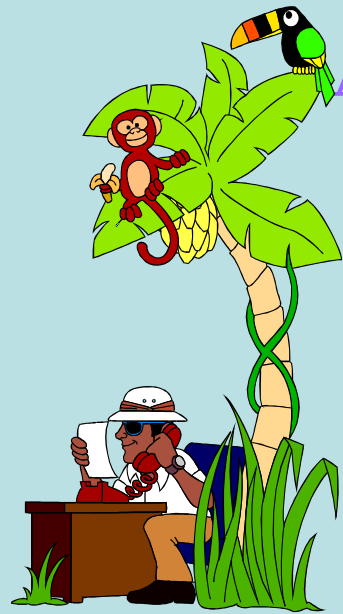
- **General Rules Between Congress And DoD**
Each phase (i.e., Authorization and Appropriation) is separate
- **Appeal to next Committee of that phase**
considering the budget request (e.g., appeal to the SASC, SAC and/or the appropriate conference committee)
- **Appeal to amount **closest to President's Budget****
- **Acceptable to **appeal language and production quantities** as well as dollar amounts**



Continuing Resolution

- If Congress fails to pass appropriations bills prior to 1 October, it may pass a joint Continuing Resolution which must be signed by the President
- Continuing Resolution Authority is stopgap spending authority allowing the federal government to continue operating
 - Allows obligation of funds at the “current rate of operations” usually based on one of these levels:
 - Normal rate based on last year’s appropriations
 - Normal rate based on lowest Congressional
 - New start programs and expansion of current program scope NOT PERMITTED

Apportionment Process



Impact of General Reductions on An Acquisition Program

Joint Direct Attack Munition (JDAM) Program

FY 98 Appropriation (RDT&E)

FY 98 ~~\$24.70 M~~ **\$ 0.00 M**

Consultant **0.37 M**

Budget Cap **0.14 M**

National Missile Defense **0.31 M**

Small Business Innovative Research

2.03 M
Inflation Reduction **0.13 M**

Total General Reductions

\$

2.98 M

Remainder

\$21.72

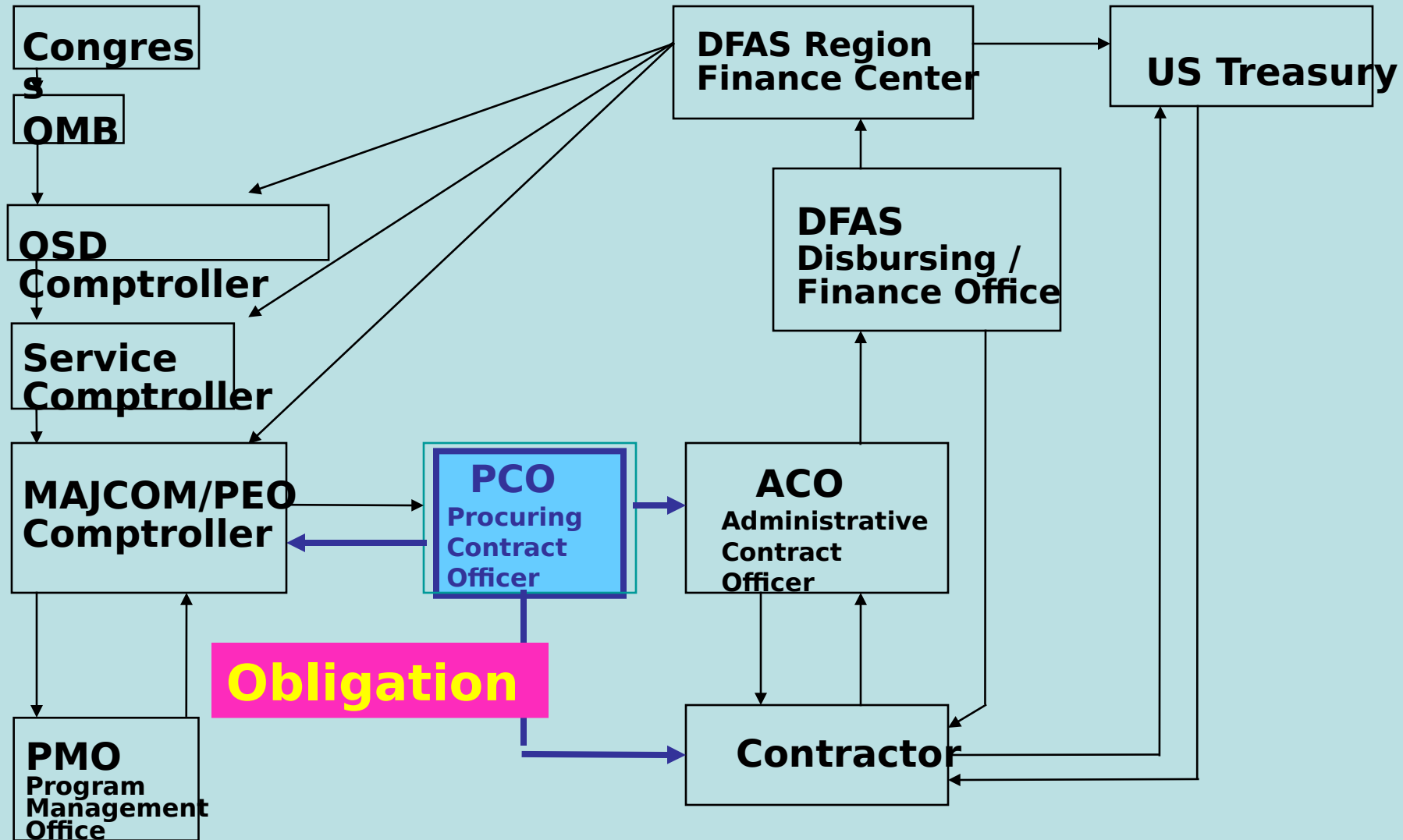
M

Taxes Reduction = 12.1 % of Amount Appropriated

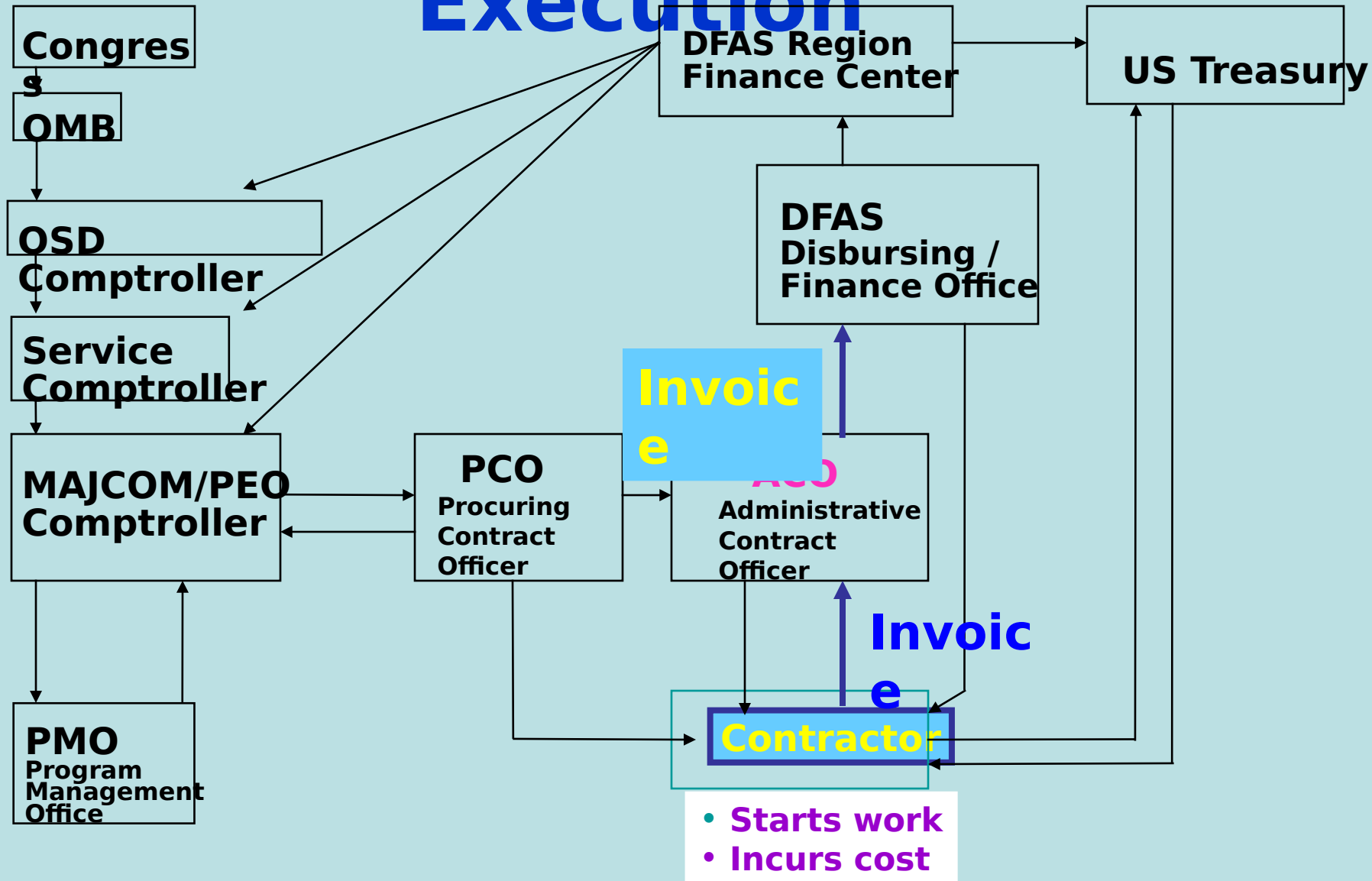
Apportionment Process



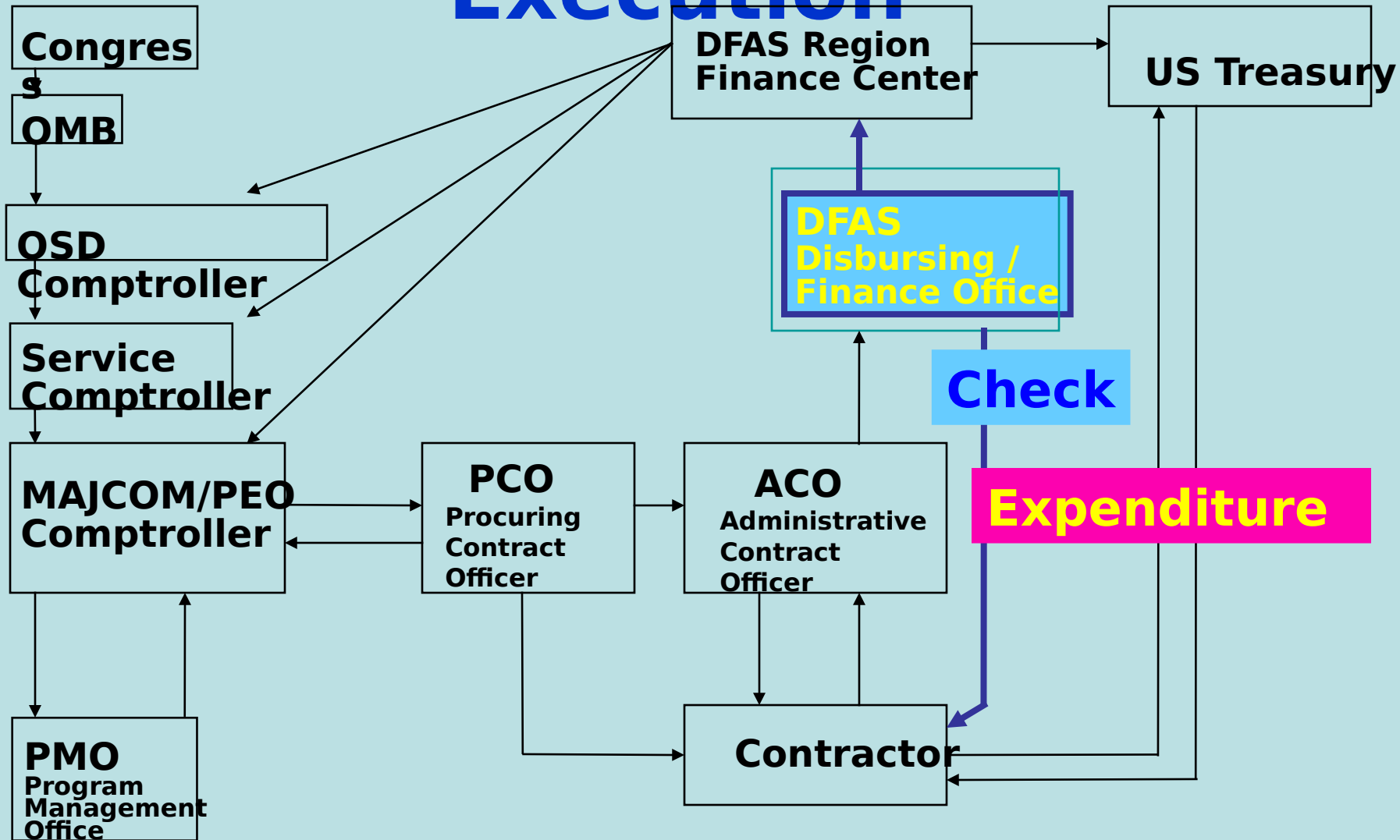
Budget Execution



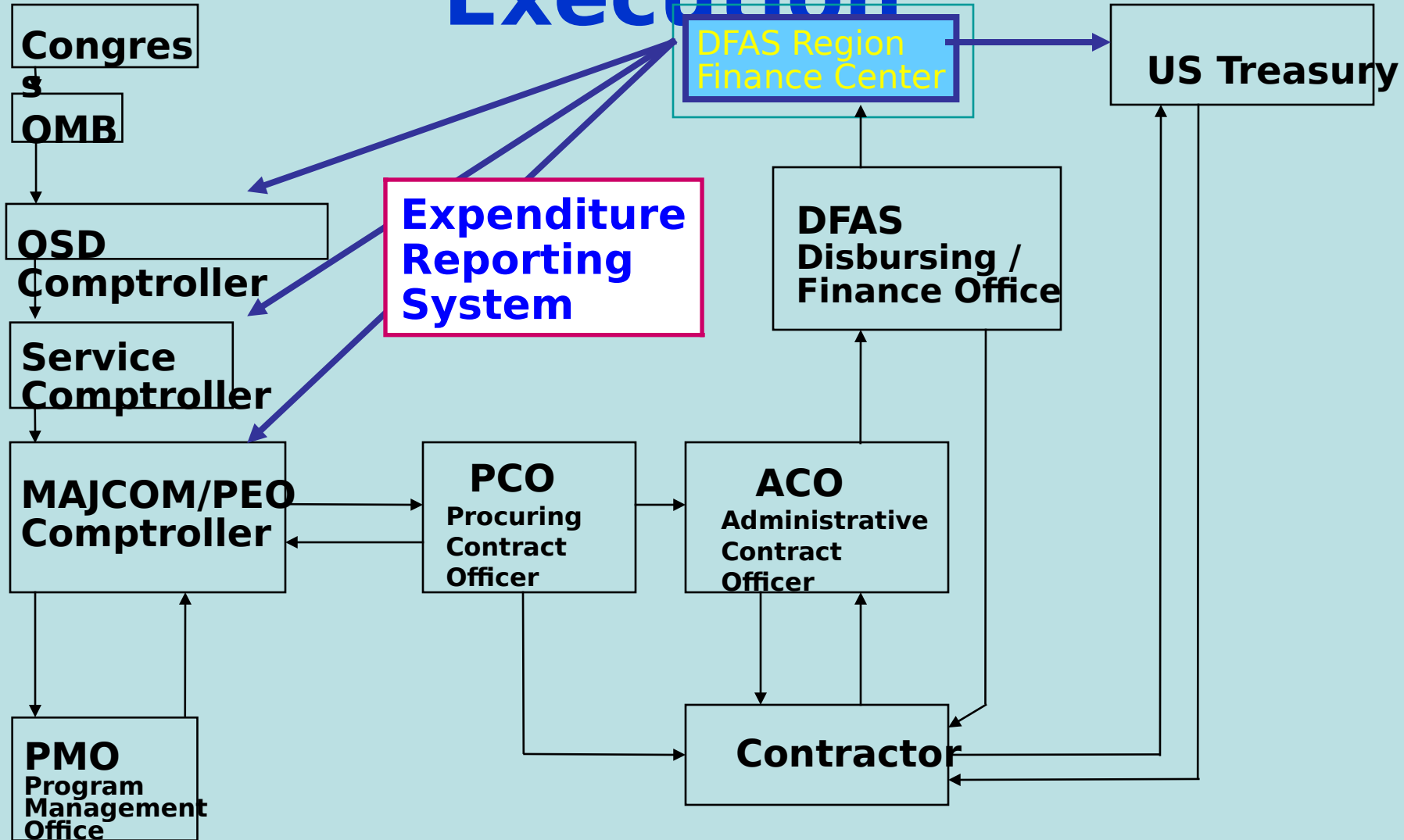
Budget Execution



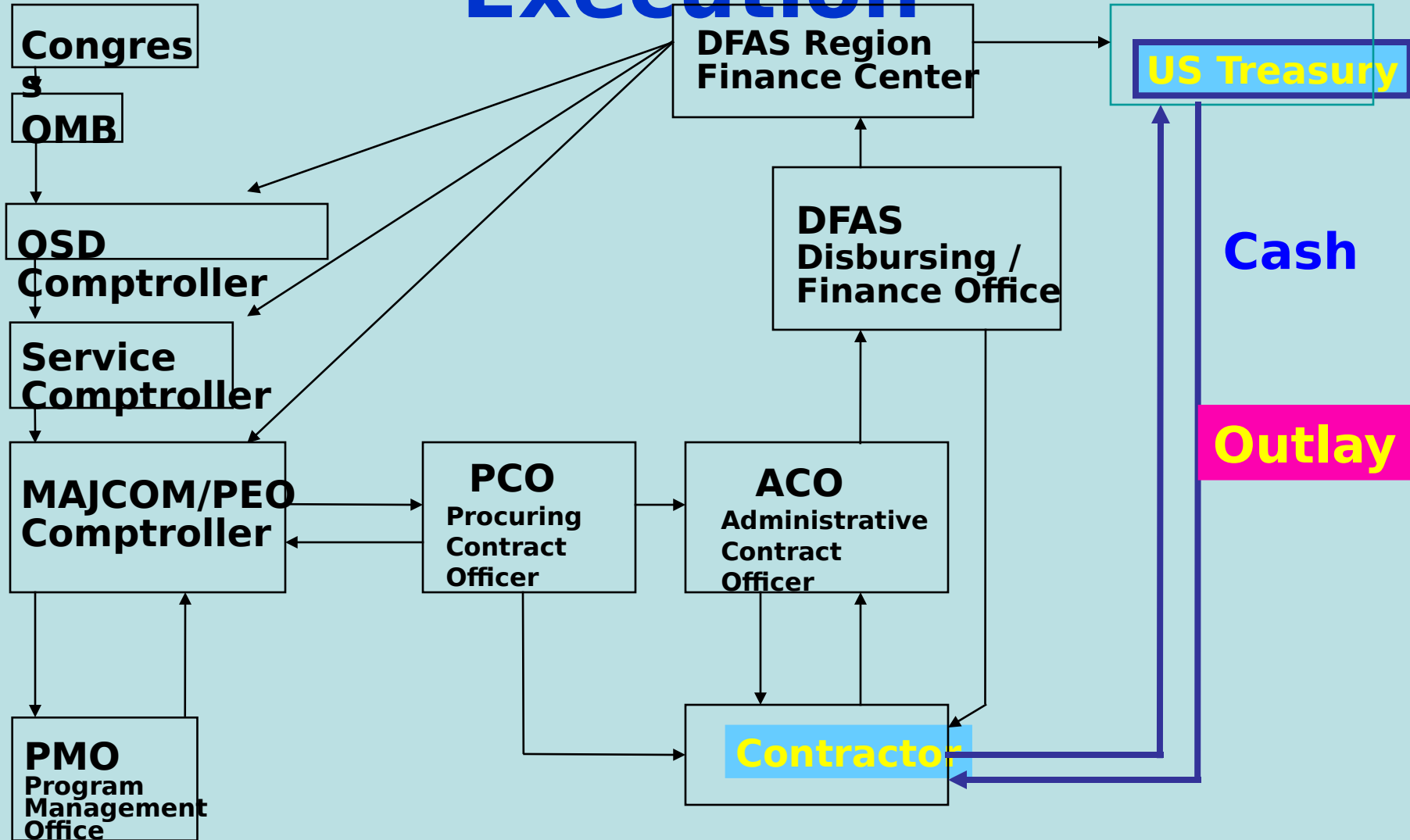
Budget Execution



Budget Execution

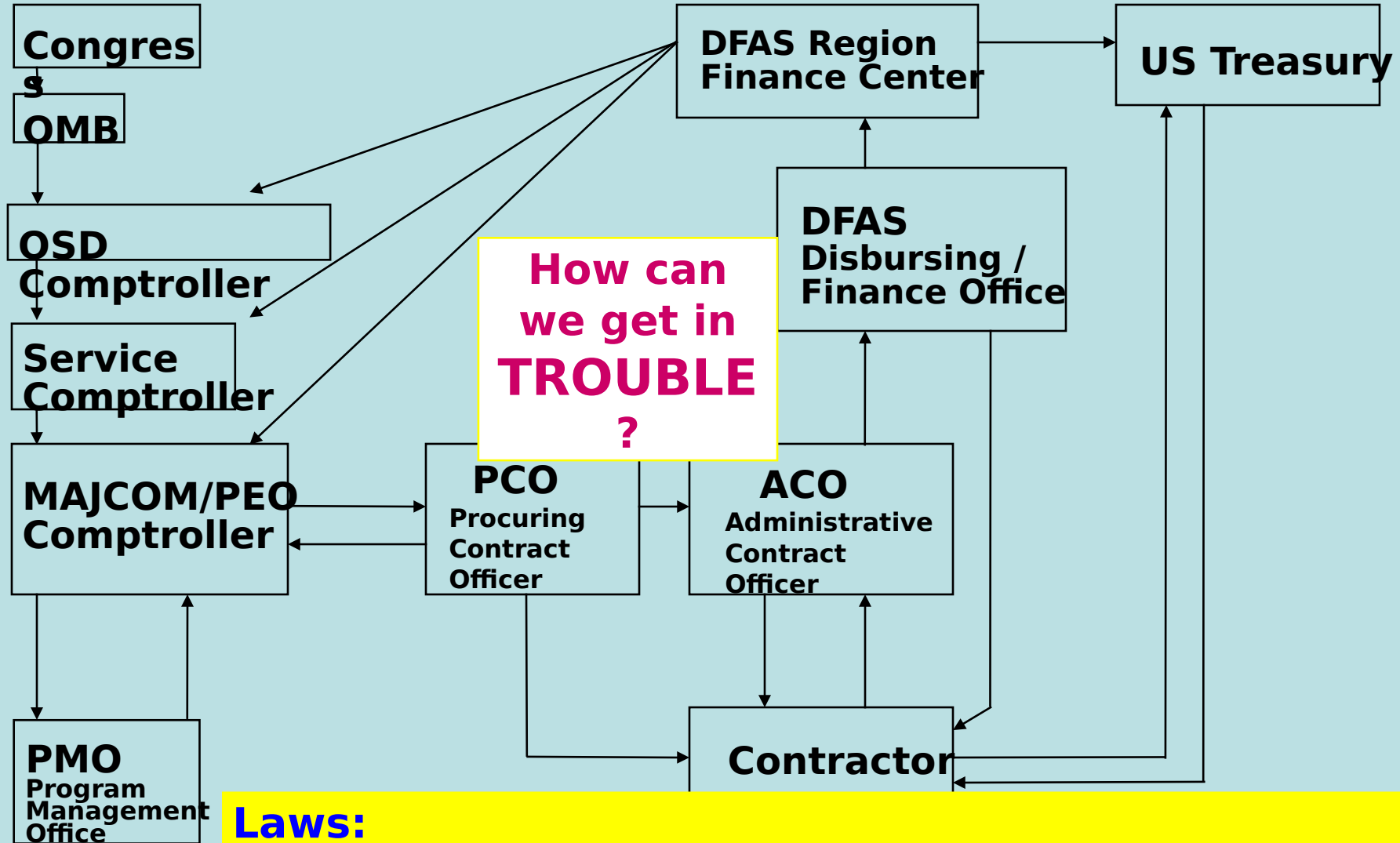


Budget Execution



Budget Execution

Apportionment
Process



How can
we get in
TROUBLE
?

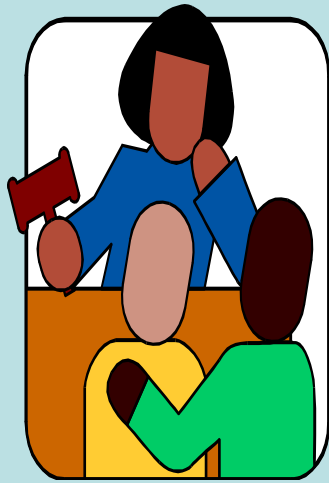
Laws:

- Misappropriation
Fide Need

- Anti-Deficiency

- Bona

Execution Laws



- **Misappropriation Act [Title 31, U.S. Code, S1301]**

- Requires funds to be used only for the purposes and programs for which the appropriation was made.

- **Anti-Deficiency Act [Title 31, U.S. Code, Sec 1341 & 1517]**

- Prohibits making or authorizing an obligation in excess of the amount available.

- Forbids obligation to pay money from the US Treasury in advance of an appropriation.

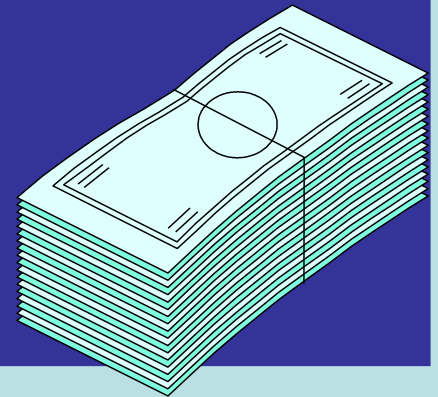
- Requires agency to fix responsibility for violations of the Act.

- **Bona Fide Need Rule:**

- Requires funds to be used only for needs or services in the year of the appropriations obligation period.

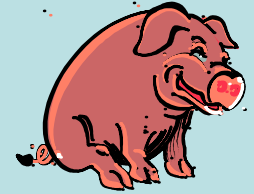
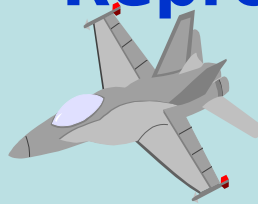
Reprogramming

- **Process of redirecting funds** for purposes other than those contemplated at the time of appropriation.
- Reprogramming rules are based on agreements between DoD and Congress.
- DoD informs Congress of all Reprogramming via a semi-annual report.
- **Types of Reprogramming actions:**
 - **Internal**
 - **Below Threshold**
 - **Congressional Prior Approval**



DoD Appropriation Structure

Level of Control for “Below Threshold” Reprogramming Purposes



RDT&E

Procurement

O&M

MILPER

MILCON

**Budget
Activity**

**Budget
Activity**

**Budget
Activity**

**Budget
Activity**

**Budget
Activity**

**Program
Elements**

Line Item

**Activity
Group**

**Activity
Group**

**Activity
Group**

Projects

Sub Activity

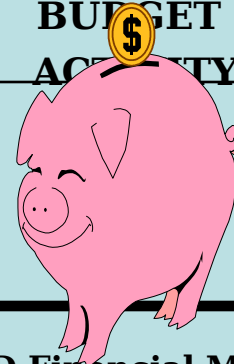
Sub Activity

Project

Below Threshold

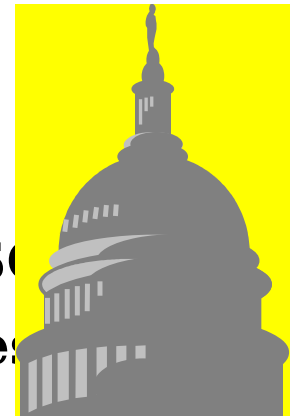
Reprogramming

APPRN	CONTROL	OBL	MAX INTO	MAX OUT	LEVEL OF
RDT & E	+ 4M	Greater of -4M or -20%		PROGRAM ELEMENT	2 YEARS
PROC	+10M	Greater of -10M or -20%		LINE ITEM	3 YEARS (5 YEARS SCN)
O & M	+15 M	None Unless Specified		BUDGET ACTIVITY SOME BA 1 SUB-ACTIVITY LIMITATIONS ON DECREASES (OPERATING FORCES)	1 YEAR
MILPERS	+10M	Not Specified		BUDGET ACTIVITY	1 YEAR
MILCON	Lesser of +2M or +25%	Not Specified			5 YEARS



Congressional Prior Approval

- Applies to Actions Involving:
 - General Transfer Authority (between appropriations)
 - Major System Procurement Quantity Increases
 - Congressional Special Interest Items
 - Amounts exceeding specified thresholds within an appropriation
 - Initiation of new programs or new starts within existing programs exceeding amounts
 - Termination of programs meeting certain criteria
- Requires:
 - Approval by USD (Comptroller)
 - Approval by HAC / SAC and HASC / SASO
 - Approval by House and Senate Committees on Intelligence (for intelligence assets)



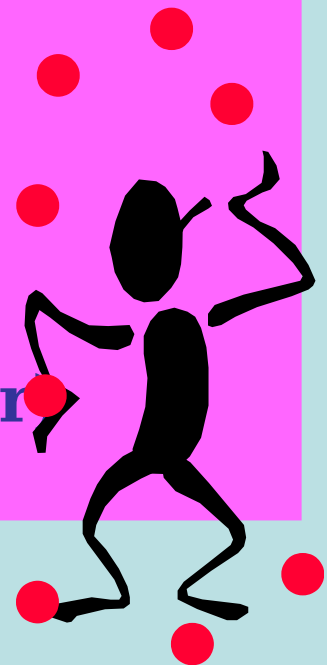
Internal Reprogramming

Applies To:

- Reprogramming actions that do not involve changes from the purpose and amounts justified in budget presentations to Congress

Requires:

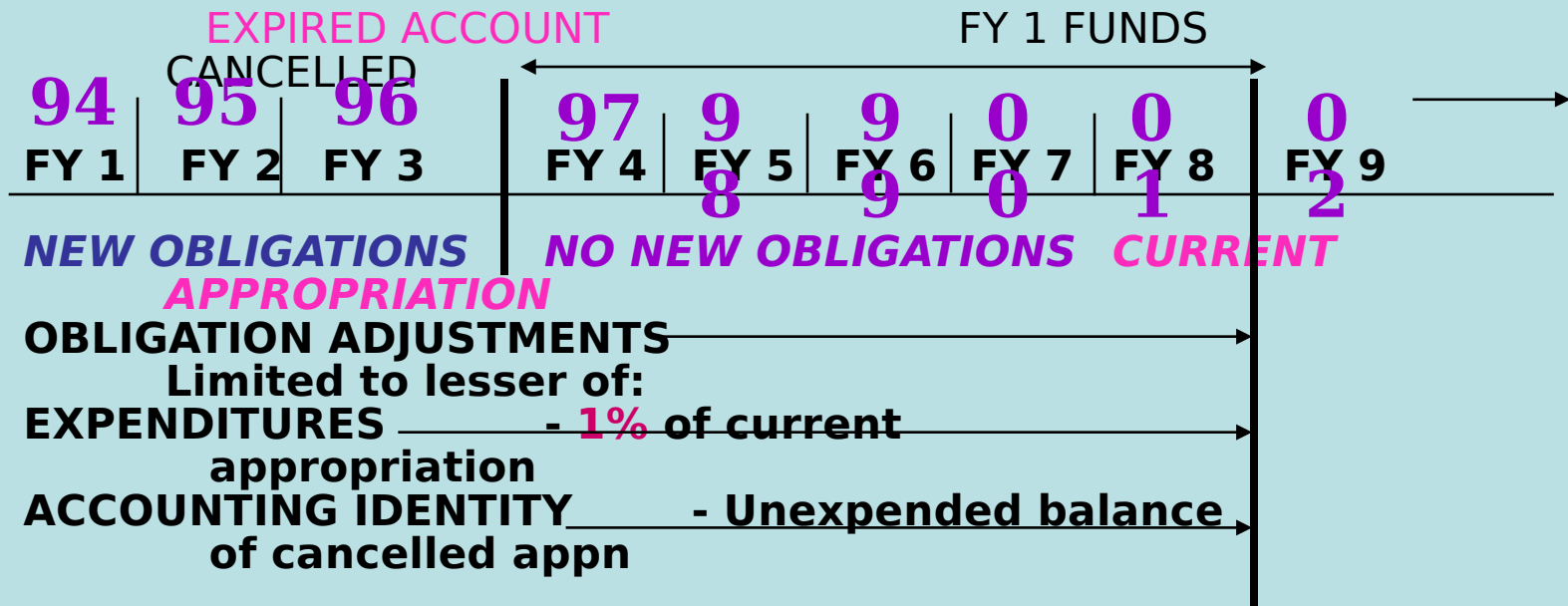
- Approval by the USD (Comptroller)



Appropriation Life -

Example

PROCUREMENT APPROPRIATION



00
01
02